

Changing Metallic Composition of Coins Enables Treasury to Open Door for Greater Savings

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WASHINGTON -- U.S. Representative Luis V. Gutierrez (D-Ill.), a senior member of the House Financial Services Committee, today joined Chairman Barney Frank (D-Ma) in a measure that would save taxpayers millions each year by restoring a proportionate economic relationship between each coin's metal worth and its face value.

By providing alternative, lower-cost metals for the penny and nickel, the Coin Modernization and Taxpayer Savings Act (HR 3956) enables the U.S. Treasury to prevent production costs from exceeding the currency's actual value as well as potentially consequential coin shortages.

"This Act is a simple and logical correction to a long-overdue imbalance," Rep. Gutierrez said. "There is no need for taxpayers to pay for a discrepancy in value when the United States government has the ability and obligation to amend its practices and benefit the economy as a whole."

This Act represents a calculated response to rising global demand and price of core metals. Currently, pennies are made mostly of zinc with a copper-plated surface, and nickels are made up of 75 percent copper and 25 percent nickel. Since March of 2003, demand has driven up the price of copper and nickel by 300 percent and of zinc by 450 percent. At the current specifications for these coins, it costs the government 1.7 cents to make a penny and 10 cents to make a nickel, resulting in a \$98.6 million loss to taxpayers in 2007.

The legislation authorizes the Secretary of the Treasury to change the metallic content of coins, generating savings of \$31 million for the penny and \$68 million for the nickel.

Additionally, while other denominations continue to be made at costs well below their face values, the Act would enable the United States Mint, under the Secretary of the Treasury's, the ability to monitor and amend the composition of currency with respect to its actual value.

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